



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(INSTALLATIONS AND ENVIRONMENT)
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

JUL 22 2003

The Honorable Duncan Hunter
Chairman, Committee on Armed Services
United States House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Section 2884 of Title 10, United States Code requires Congressional notification of each contract for the acquisition or construction of family housing units or unaccompanied housing units that the Secretary proposes to solicit under the housing privatization authorities and for each conveyance or lease proposed under Section 2878.

This letter notifies you of the Navy's intent to solicit proposals for the privatization of family housing units at Naval Submarine Base Bangor; Naval Undersea Warfare Center Keyport; Naval Magazine Indian Island; Naval Station Bremerton; various areas in the Naval Station Everett region (Ft Lawton; Magnolia, Brier, and Naval Radio Transmitter Station Jim Creek), and Naval Air Station Whidbey as part of the Navy's Northwest Regional Housing Privatization. The U.S. Navy intends to issue the Request for Proposal no sooner than 30 days after the date of this notification. A report providing details on this project is enclosed. The Office of the Secretary of Defense concurs with this notification.

My staff stands ready to provide additional information as needed. Similar letters have been sent to the Senate and House Appropriations Subcommittees on Military Construction and the Senate Armed Services Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne Army", is written over the typed name.

Wayne Army
Deputy Assistant Secretary
(Installations and Facilities)

Enclosure

Copy to:
The Honorable Ike Skelton
Ranking Minority Member

MILITARY HOUSING PRIVATIZATION INITIATIVE
NORTHWEST REGION
FAMILY HOUSING PROJECT REPORT

INSTALLATIONS:

Naval Air Station, Whidbey Island, WA
Naval Station, Everett, WA
Naval Submarine Base, Bangor, WA
Naval Station, Bremerton, WA
Naval Undersea Warfare Station, Keyport, WA
Jim Creek Naval Radio Transmitter Station, WA
Indian Island Naval Magazine, WA

SCOPE:

The purpose of this project is to allow the Department of the Navy to work with the private sector to upgrade the quality of family housing, and operate and maintain that family housing, in an essential area of need. This project will leverage Navy assets with private investment to accomplish housing goals faster and at lower cost.

This project will result in the DoN's acquisition of interest in a limited liability company which will design, finance, construct, renovate, own, operate, maintain and professionally manage multiple family housing developments.

The following table summarizes the scope of this project:

| | Existing Homes | Homes Divested | Homes Demolished | Homes Replaced | Homes Lost to Conversion | Homes Renovated | Additional Homes Constructed | Total End State Homes |
|---|----------------|----------------|------------------|----------------|--------------------------|-----------------|------------------------------|-----------------------|
| <u>West Sound</u> Bangor, Bremerton, Keyport, Indian Island | 1,437 | 40 | 6 | 0 | 50 | 1,341 | 0 | 1,341 |
| <u>East Sound</u> Everett Jim Creek | 109 | 92 | 12 | 104 | 0 | 5 | 33 | 142 |
| <u>North Sound*</u> Whidbey | 1,552 | 0 | 330 | 0 | 0 | 320 | 0 | 1,222 |
| Project Totals | 3,098 | 132 | 348 | 104 | 50 | 1,666 | 33 | 2,705 |

*902 homes privatized require no work

"Homes Lost to Conversion" reflect loss of units due to conversion of two 2-bedroom units into one 4-bedroom unit.

"Total End State Homes" reflects existing homes less homes demolished without replacement, divested, or lost to conversion plus additional homes constructed.

All of the units will be made available to active duty military personnel on a right of first refusal basis.

AUTHORIZATION:

In addition to title 10 USC, Section 2872, General Authority, the following authorities will apply to this project or may be used in the future:

| | |
|------------------|---|
| Section 2872a, | Utilities and Services |
| Section 2875, | Investments |
| Section 2878, | Conveyance or Lease of Existing Properties and Facilities |
| Section 2880, | Unit Size and Type |
| Section 2881, | Ancillary Support Facilities |
| Section 2882(c), | Lease Payments Through Pay Allotments |

SUMMARY OF PROPOSED TERMS FOR AGREEMENT:

A Request for Proposals for this project will be issued and a successful offeror will be selected for exclusive negotiations via competitive procedures. The Department of the Navy is currently finalizing the request for proposals.

The existing units will be conveyed via transfer of title. Land associated with units to be conveyed and units to be constructed will be leased for the term of the basic agreement (50 years). At the end of the lease term, land will revert to the Navy and the entity will be required to transfer title of all infrastructure and improvements then existing to the Navy.

The 137 new units will be safe, high quality, energy-efficient, three and four bedroom single-family homes & townhouses. All of the units will remain available to active duty military personnel on a right of first refusal basis for the basic agreement term. Terms of the agreement will ensure that the total rent and normal utilities does not exceed individual military members' Basic Allowance for Housing (BAH).

JUSTIFICATION:

This project will result in the replacement of 104 existing units, currently located at Fort Lawton, that are in disrepair. Replacement units will be constructed on a site closer to the Naval Station, Everett. In addition, 33 new deficit construction units will be constructed on private land proximate

to Naval Station Everett. In addition to the new construction, renovations to 1,666 homes will occur with additional site work and amenities.

The use of public/private venture authorities will leverage the Navy assets and allow for the renovation and replacement of critically needed housing units. This project will significantly improve the family housing living conditions and quality of life for military personnel in the Northwest Regional area more rapidly than exclusive reliance on military construction.

SOURCE OF FUNDS:

The DoN proposes funding this project using funds authorized and appropriated in FY02 for the improvement of family housing units in San Diego, CA.

| <u>FY</u> | <u>Location</u> | <u>Description</u> | <u>Amount</u> |
|-----------|-----------------|----------------------|---------------|
| 02 | San Diego | Improvements,H1-01-3 | \$15,874,000 |

Funds required for execution of the project will be transferred into the Department of Defense Family Housing Improvement Fund. Additional sources of funds required for this project will come from the proceeds of the sale of assets, no longer required by the Government, that are contributed to the business entity.